

CHAPTER 2: ECONOMIC TRENDS

The prosperity of Fort Worth is linked to domestic and international changes. During the 1970s and 1980s, the local economy was driven primarily by large defense industries. Substantial cutbacks in defense contracts prompted the City to begin working towards diversifying its economy in the 1990s largely through small business development. The result is an economy that is today diversified in many industry sectors such as services, trade, manufacturing, transportation, communication, and construction.

As in years past, the Fort Worth economy is influenced by international, national, state, regional, and local factors. For example, the September 2001 terrorist attacks exacerbated existing economic downturns in practically every industry sector nationwide, with the travel industry perhaps being the most impacted. As a major center for the travel industry, this sector in Fort Worth is now experiencing diminished economic activity and substantial employment layoffs.

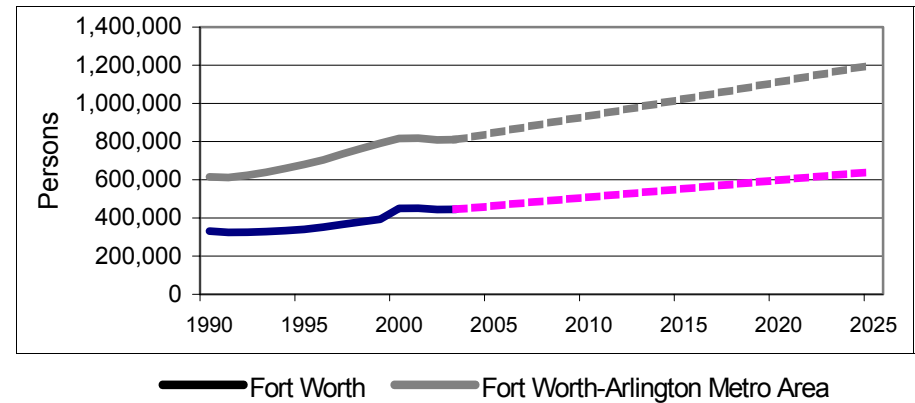
The local economy is forecasted to weather the current economic downturn as a result of being diverse. Although Fort Worth's economy is no longer skewed toward defense industries, this sector continues to be important. The recent multi-billion dollar contract from the Pentagon to Lockheed Martin Aeronautics Company to develop and manufacture the new Joint Strike Fighter aircraft is testament to this fact. The total program could include production of over 3,000 aircraft over four to five decades, totaling some \$200 billion. The economic impact of this contract will create many thousands of jobs in Fort Worth and infuse \$60 to \$70 billion into the local economy over the next 20 years.

This chapter discusses some of the major economic indicators for the region, details some of the major economic attributes of the City of Fort Worth, and correlates national and international events to regional trends.

There are three basic reasons for attempting to assess and predict changes in the economy. First, the costs of providing certain City services are related to the level of production of the economy. Industrial and commercial uses as well as residential uses require water, wastewater, police, fire, environmental, and other services. The costs of providing certain water and wastewater services are absorbed by impact fees, but others are not. Estimates for quantity and type of streets, public transportation facilities, schools, water and sewer facilities, and other community facilities are all based on the amount and spatial distribution of population and economic activity in the city.

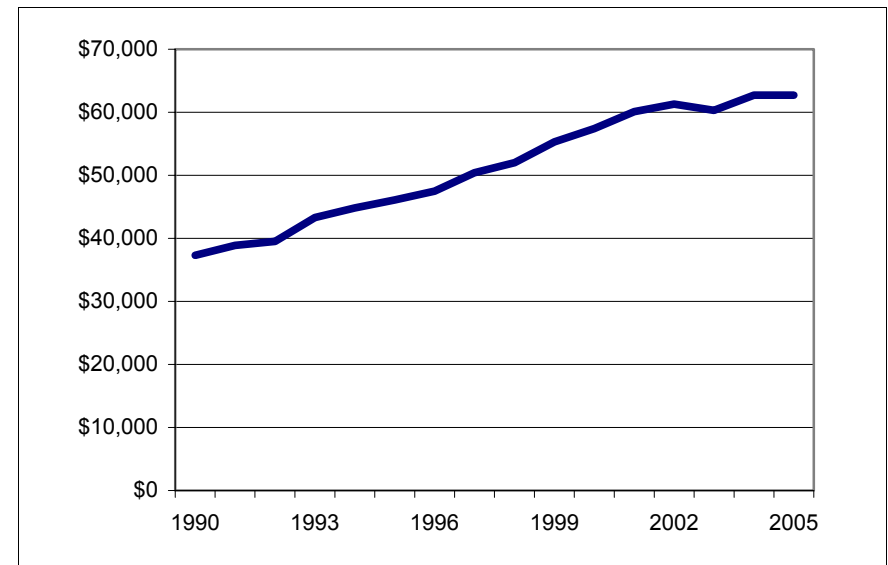
Second, just as it costs money to provide services to businesses, these same businesses provide the tax dollars that pay for the services. The City must be able to predict whether a public investment will ultimately pay for itself. The rate at which the economy expands drives growth not only in population, but also in sales taxes, property taxes, hotel taxes, impact fees, and other revenue sources.

Employment by Place of Work, 1990-2025



Employment has grown by 2.8 percent annually in Fort Worth between 1990 and 2005 and is forecasted to grow at approximately 1.4 percent annually through 2025. (Source: North Central Texas Council of Governments and The Perryman Group, Inc., 2005.)

Median Family Income, 1990-2005



Median family income for the Fort Worth-Arlington Metropolitan Division increased from \$37,300 to \$62,700 between 1990 and 2005. (Source: U.S. Department of Housing and Urban Development, 2005.)

Lastly, knowledge about the economy is useful in predicting land use needs and in creating policy. An expanding economy and population generally means more land is being developed. Every sector of the economy uses land in a specific way. By analyzing the growth trends in the various sectors, the amounts of land that will be needed for commercial and industrial uses in the future can be predicted. Policies can be developed to encourage growth in appropriate areas with adequate infrastructure and community facilities and allow for the efficient provision of additional facilities.

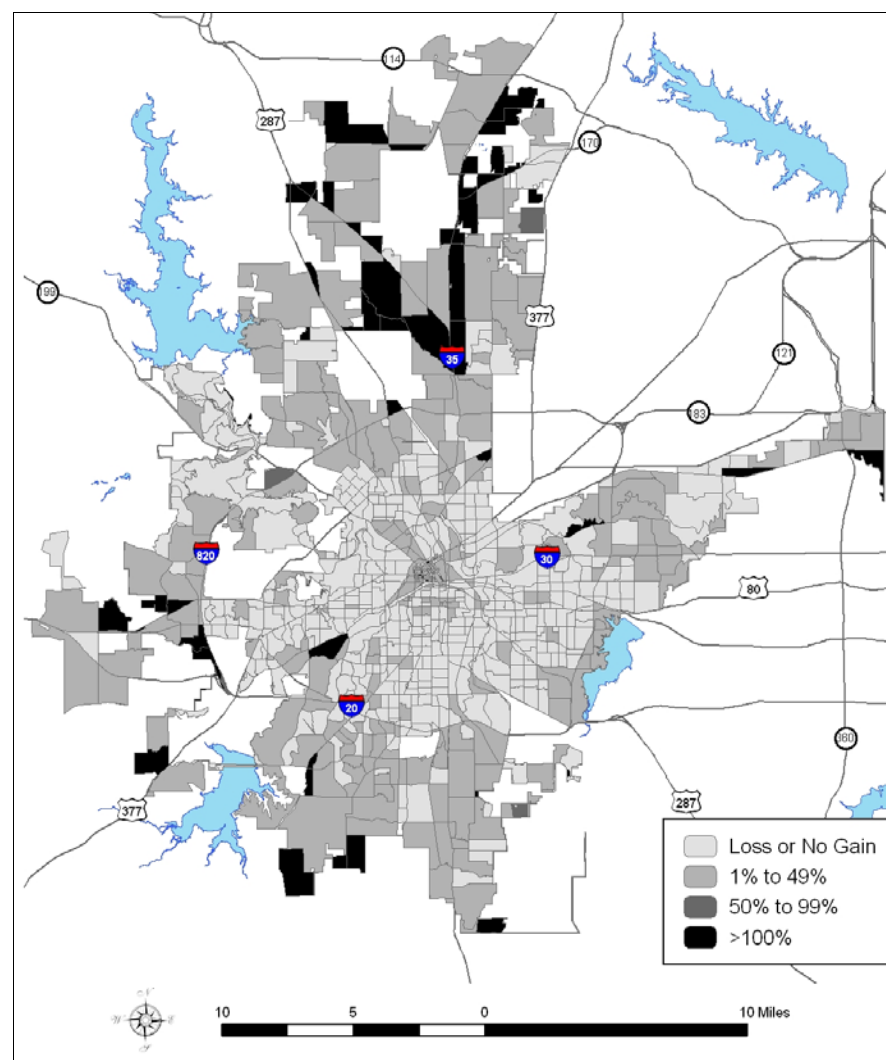
Total Employment and Job Growth

According to the North Central Texas Council of Governments employment estimates, the total non-agricultural employment for the City of Fort Worth grew by 2.8 percent annually from 330,350 in 1990 to 504,441 in 2005. In 2005, the total number of persons reporting for work inside the Fort Worth city limits accounted for approximately 62.9 percent of all 801,775 jobs in the Fort Worth-Arlington Metropolitan Division (Fort Worth-Arlington MD). When compared to the Dallas-Fort Worth Metropolitan Statistical Area (MSA), Fort Worth accounted for 18.5 percent of total jobs. Between 2000 and 2005, employment increased at the city and Fort Worth-Arlington MD level but decreased at the Dallas-Fort Worth MSA level. Fort Worth experienced a 12.1 percent job increase between 2000 and 2005. Jobs in the Fort Worth-Arlington MD increased by 4.2 percent, and the Dallas-Fort Worth MSA experienced a 1.1 percent decline.

The Perryman Group, Inc., an economic research and consulting firm, forecasts job growth in the Fort Worth-Arlington MD to continue, though at a slightly slower rate than that of the late 1990s. Between 1990 and 2004, the Fort Worth-Arlington MD gained jobs at a rate of 2.0 percent per year according to Perryman's current data. Growth is expected to slow to 1.7 percent annually through the year 2025. The Perryman Group forecasts a total of 1,180,400 jobs in 2025 for the Fort Worth-Arlington MD. The State Comptroller predicts that job growth in the State of Texas is expected to slow as well, from 2.1 percent annually from 1990 through 2004 to 1.6 percent annually from 2004 through the year 2025. These predictions take into account the slowing of the national economy in the face of increasing global competition, geopolitical conflicts, the current economic slowdown, and tightening labor markets.

The North Central Texas Council of Governments forecast job growth in Fort Worth to increase at a rate of 1.4 percent annually through the year 2025, for a total employment of 676,429. Fort Worth's share of jobs in the Fort Worth-Arlington MD will likely decrease by two percent to 60.9 percent by 2025 before leveling off or rebounding. In addition, future job growth is likely due to Fort Worth's 46 percent undeveloped land and a vast ETJ of approximately 320 square miles that is mostly vacant. Moreover, many other cities in the Fort Worth-Arlington MD are landlocked and are rapidly developing the remainder of their vacant land.

Fort Worth Employment Forecast, 2000-2030



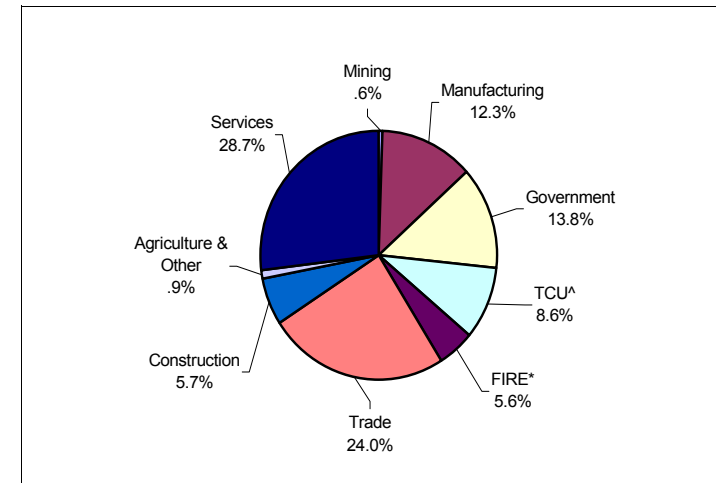
Strong employment growth is forecast for Fort Worth's Far North sector as a result of Alliance Airport's growth and related development. (Source: North Central Texas Council of Governments, 2030 Demographic Forecast, 2003.)

Employment by Industry

The following estimates and forecasts of employment by industry are only available for working residents of the Fort Worth-Arlington MD, the primary area from which Fort Worth draws its workforce.

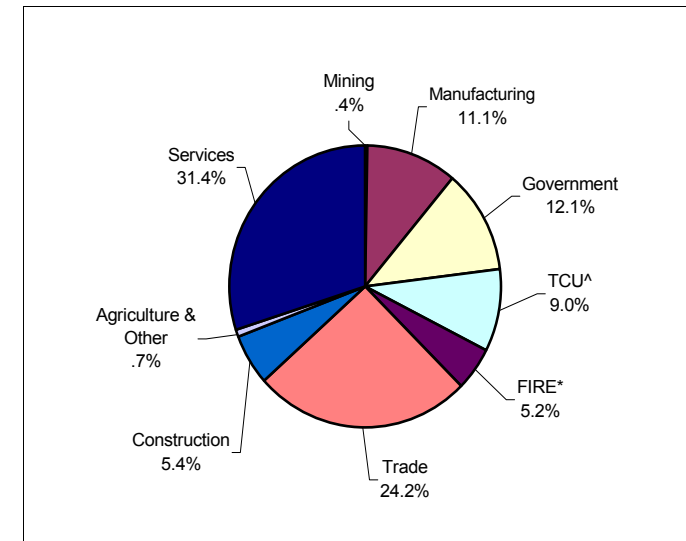
- Historically, the services sector has grown rapidly nationwide. With new, efficient communications, businesses are increasingly able to sell services in distant markets, making services an export commodity. The services sector in Texas lost jobs in 2002 for the first time since the 1970s. In Texas and nationwide, the service sector experienced slight growth in 2003 and resumed historical growth patterns in 2004 and 2005. The services sector in the Fort Worth-Arlington MD increased by 95,500 new jobs between 1990 and 2004, representing the largest employment sector growth, and is forecasted to grow by an additional 137,300 jobs between 2004 and 2025, representing a 2.2 percent annual growth rate.
- Trade has responded positively to the increase in personal income. Trade increased by 39,700 jobs between 1990 and 2004 in the Fort Worth-Arlington MD and is forecasted to grow by 91,300 new jobs between 2004 and 2025, representing a 1.8 percent annual growth rate.
- Manufacturing increased by nine percent between 1992 and 1998, largely due to growth in consumer electronics. However, due to the recent economic slowdown, the manufacturing sector decreased by 18,500 jobs between 1990 and 2004. Manufacturing is forecasted to increase by 31,300 jobs between 2004 and 2025, representing a 1.3 percent annual growth rate.
- Government grew by 26,900 jobs between 1990 and 2004. This job increase is reflective of the need for government to maintain its level of services. The government sector is forecasted to grow by 31,900 jobs between 2004 and 2025, representing a 1.2 percent annual growth rate. The federal government sector is expected to grow in large part because of homeland security concerns. For 2004 and 2005, job losses are expected at the state government due to budget cuts. Overall, federal, state, and local governments are under pressure to reduce taxes and become more efficient.
- Transportation, communication, and utilities (TCU) grew by 12,600 jobs between 1990 and 2004, and is forecasted to grow by 37,000 jobs between 2004 and 2025, representing a 2.0 percent annual growth rate. According to The Perryman Group, transportation received a large boost in Texas with the passage of the 1993 North American Free Trade Act (NAFTA), reducing barriers to trade with Mexico. According to the State Comptroller, Texas exports to Mexico increased from \$20.4 billion in 1993 to \$45.7 billion in 2004. Overall, Texas exports grew to \$117.2 billion. Transportation is likely to increase due to Fort Worth's central distribution location. Almost 90 percent of the nation's markets can be reached by truck or rail from Fort Worth within 48 hours, according to the State Comptroller. The communications industry has experienced a downturn and is forecasted to revive again, as industries continue to demand cellular and Internet technologies to boost productivity. The utilities industry continues to consolidate as a result of deregulation and competition.

Employment by Industry, 2004



Services and trade were the largest employment sectors in the Fort Worth-Arlington Metropolitan Division in 2004. *FIRE-Finance, Insurance, & Real Estate; ^TCU-Transportation, Communications, & Utilities. (Source: The Perryman Group, Inc., 2004.)

Forecasted Employment by Industry, 2025



Services and trade are forecasted to be the largest employment sectors in the Fort Worth-Arlington Metropolitan Division in 2025. *FIRE-Finance, Insurance, & Real Estate; ^TCU-Transportation, Communications, & Utilities. (Source: The Perryman Group, Inc., 2004.)

- Construction in the Fort Worth-Arlington MD grew by 22,500 jobs between 1990 and 2004, and is forecasted to grow by 18,500 jobs between 2004 and 2025, representing a 1.6 percent annual growth rate. In 2002 and 2003, construction jobs decreased in the Fort Worth-Arlington MD before growing again in 2004 and 2005, according to the State Comptroller. The near-term outlook is for construction to grow moderately in Texas in 2005 and 2006 and 2007, as nonresidential building picks up, even though higher mortgage rates may suppress the rapid growth seen since 2001 in the residential sector.
- Finance, insurance, and real estate (FIRE) in the Fort Worth-Arlington MD grew by 17,500 jobs between 1990 and 2004, and is forecast to grow by 17,200 jobs between 2004 and 2025, representing a 1.5 percent annual growth rate. In 2005, FIRE employment is forecasted to grow by 1.3 percent statewide according to the State Comptroller, growing in tandem with construction.
- Mining in Texas is dominated by oil and gas production, and suffered in the years when crude oil prices were low. The number of operating Texas oil and gas rigs fell to 306 in April 2002, but the strength in oil and gas prices over the past two years caused renewed exploration, and the rig count rose to 662 by the end of 2005. Historically, domestic production has fallen about five percent annually over the past 10 years and is expected to decline by four percent per year over the next 10 years. For the Fort Worth-Arlington MD, mining is forecasted to grow by less than one percent between 2004 and 2025.
- Agriculture grew by 2,300 jobs between 1990 and 2004 and is forecasted to increase by 1,900 jobs between 2004 and 2025, representing a 1.1 percent annual growth rate.

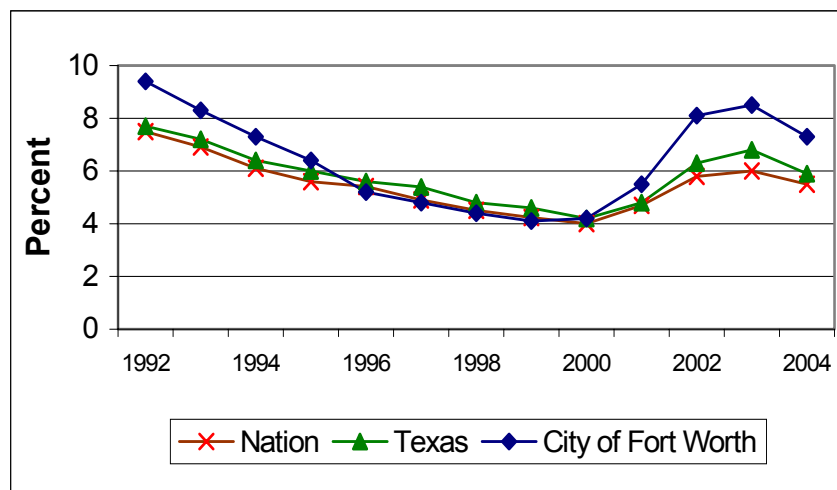
The Perryman Group forecasts that the total number of jobs is expected to increase during the years from 2004 to 2025 for all industry sectors with the services sector predicted to out-perform all others. The Perryman Group forecasts all industry sector percentages to remain essentially the same in year 2025 as in 2004. Services will climb to 31.4 percent in 2025 compared to its 2004 figure of 28.7 percent. Manufacturing will decrease to 11.1 percent in 2025 from its 2004 figure of 12.3 percent.

In the mid to late 1990s, the Fort Worth-Arlington MD experienced robust job growth. Job growth began to decline in 2000 with 796,300 jobs in the Fort Worth-Arlington MD. In 2004, the total employment in the Fort Worth-Arlington MD was 791,100, a slight decline from the 2000 figure and representative of the continued economic slowdown. According to the Perryman Group the long-term outlook for the Fort Worth-Arlington MD is expected to increase due in large part to substantial growth at Alliance Airport and this region's distribution activities.

Unemployment

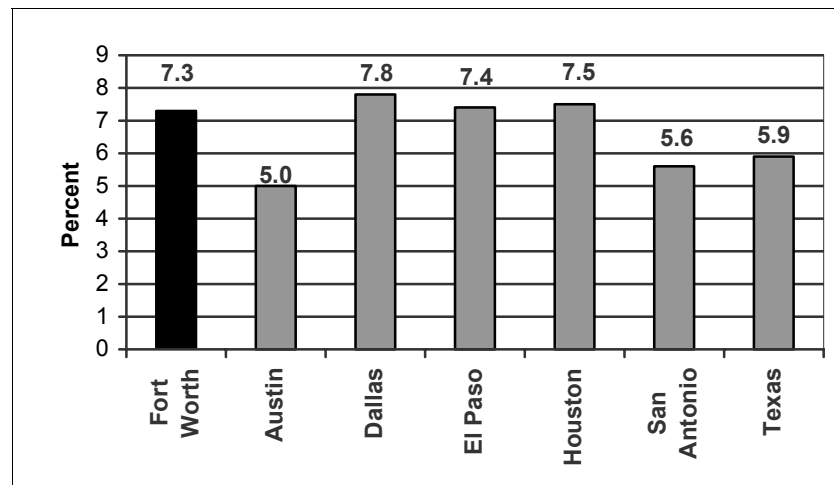
In 2004, the Fort Worth unemployment rate was 7.3 percent. The departure started in 2001 from the trend seen in the late 1990s of rates being below 5.0 percent. Fort Worth's 2004 unemployment rate is the result of the continued economic slowdown, especially in the telecommunications and travel industries. In 2004, the Fort Worth-Arlington MD unemployment rate was 5.5 percent, and the State of Texas had an

**Unemployment Rates
(1992-2004)**



For the past three years, Fort Worth's unemployment rate has exceeded both the state's and nation's rates. (Source: Texas Workforce Commission, 2005.)

**Unemployment Rates, 2004
(Major Texas Cities and State)**



Statewide, unemployment rates rose as a result of the recent economic slowdown. Fort Worth's 2004 unemployment rate of 7.3 percent exceeded the state average of 5.9. (Source: Texas Workforce Commission, 2005.)

unemployment rate of 5.9 percent. Nationwide, the unemployment rate was 5.5 percent in 2004. In comparison, the Fort Worth unemployment rate in 2004 ranked fourth among six major cities in Texas, as shown by the chart to the right. Although citywide unemployment rates have risen as result of the recent economic slowdown, the rates in the Fort Worth central city have been above the citywide average for many years.

As job gains slowly increase, unemployment rates in Fort Worth and the Fort Worth-Arlington MD are expected to decrease.

Real Gross Area Product

Real gross area product measures the output of the economy in value as adjusted to 1992 dollars. The Perryman Group is the sole source of estimates for regional figures. Its economists predict that the real gross area product for the Fort Worth-Arlington MD will continue to grow by 3.7 percent annually between 2004 and 2025. The State Comptroller predicts the real gross state product to continue to grow at 3.3 percent per year from 2004 through 2025. The U. S. gross national product is predicted to continue increasing at approximately 3.0 percent annually based on Global Insight, Inc.

Retail Sales

According to the State Comptroller, total retail sales in Fort Worth increased 4.5 percent annually from \$4.5 billion in 1990 to \$8.4 billion in 2004. During the same time period, retail sales in the Fort Worth-Arlington MD grew by 4.8 percent annually, while the Dallas-Fort Worth MSA averaged a 5.8 percent annual gain. In 2004, per capita retail sales in Fort Worth were \$13,596 per person, slightly below the Fort Worth-Arlington MD retail sales of \$13,851 and lagging behind the Dallas-Fort Worth MSA, which had a per capita retail sales figure of \$15,235. Low inflation and high consumer confidence help fuel retail sales. Currently, national trends indicate low inflation and record low consumer confidence levels as a result of the economic downturn. These trends will likely keep retail sales at lower levels at least in the near-term. For the Fort Worth-Arlington MD, the Perryman Group predicts retail sales to grow at a 5.5 percent annual rate between 2004 and 2025.

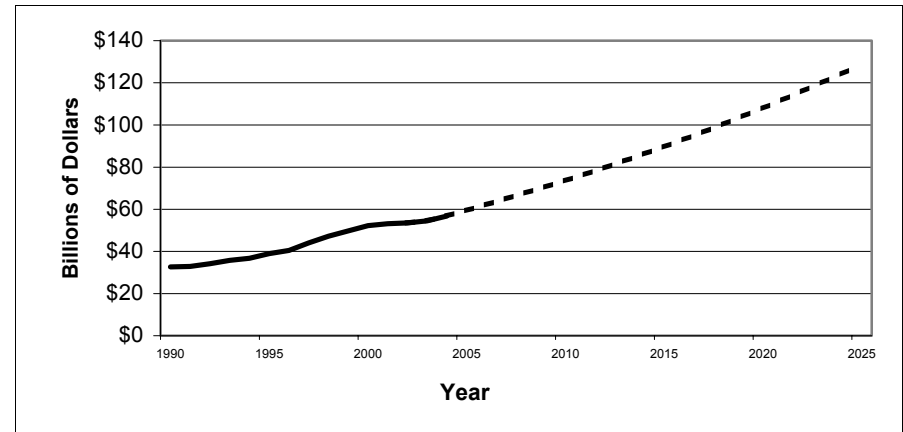
Personal Income

Per capita personal income for the Fort Worth-Arlington MD was estimated to be \$33,790 in 2003, which was higher than both the State at \$29,074 and the United States at \$31,472, according to the U.S. Bureau of Economic Analysis. The Fort Worth-Arlington MD figure increased by 3.7 percent annually between 1990 and 2003, well ahead of inflation. Personal income for the State shows a similar increase of 3.9 percent per year, while the annual national growth rate of 3.6 percent indicates that the area income is catching up. The State Comptroller predicts that statewide per capita income will continue to grow by 5.0 percent annually, to about \$84,379 in 2025.

Cost of Living

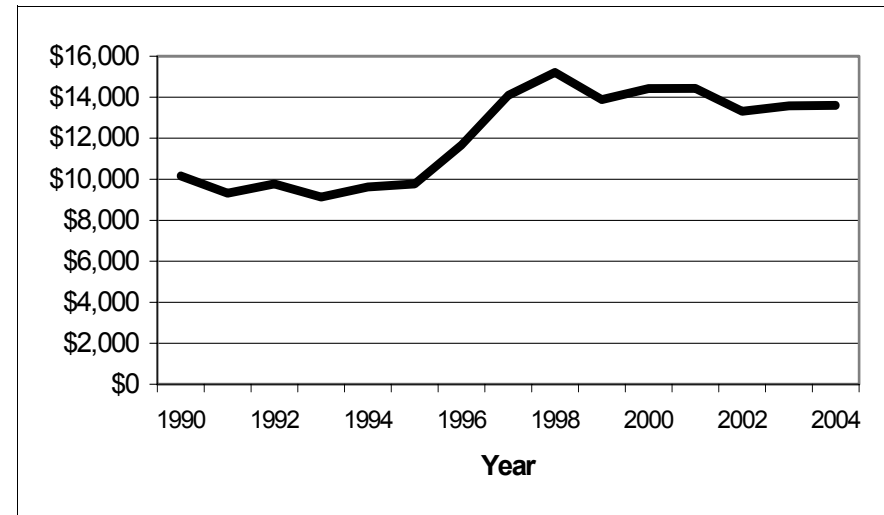
The 2004 cost of living in the Dallas-Fort Worth MSA continues to be lower than most other large metropolitan areas in the country, according to the U. S. Bureau of Labor Statistics Consumer Price Index (CPI). The Dallas-Fort Worth CPI was 178.7,

Real Gross Area Product, 1990-2025



Real Gross Area Product for the Fort Worth-Arlington Metropolitan Division is forecasted to continue growing by 3.7 percent annually between 2004 and 2025. (Source: The Perryman Group, Inc., 2004.)

Per Capita Retail Sales, 1990-2004



Per capita retail sales for the City of Fort Worth grew by an average of 4.8 percent annually between 1990 and 2004. (Sources: Texas Comptroller of Public Accounts and North Central Texas Council of Governments, 2005.)

compared to Atlanta at 183.2, Los Angeles at 193.2, and Boston at 209.5. Although CPI figures are not available for the city, evidence indicates that Fort Worth's cost of living is lower than that of many other cities in the Metroplex. Housing represents 39.6 percent of all items used to calculate the CPI. The median sale price of a home in Fort Worth was \$101,600 in 2004, compared to \$149,600 in Dallas, according to the Real Estate Center at Texas A&M University.

Inflation is the change in the CPI. Inflation decreased from 2.8 percent in 2001 to 2.7 percent in 2004 at the national level, and from 3.2 percent in 2001 to .9 percent in 2002 in Texas. U.S. inflation in 2003 was 2.3 percent, compared to 2.4 percent in Texas. The Texas Comptroller predicts that the CPI will rise by an average of 2.9 percent per year through 2025. Inflation has been relatively stable over the past year, and currently low due to the modestly-growing economy.

Employment by Sector

The Far North sector exhibited the most significant employment growth in the city between 1990 and 2000, adding almost 47,251 jobs at an average annual growth rate of 16.9 percent. The Far North sector's job growth can be attributed primarily to new jobs in the Alliance Airport area, including Alliance Gateway and the Intermodal facility. Jobs were also added in Fossil Creek, Mercantile Center, and Mark IV industrial parks. The Northeast sector added 15,132 new jobs, at an average annual growth rate of 3.3 percent. The Downtown sector ranked third in number of new jobs, with approximately 15,070 new jobs, at an annual growth rate of 2.4 percent. Other growth areas included the TCU/Westcliff sector, with a large new shopping center; the Western Hills/Ridglea sector, which benefited from the recommissioning of the Naval Joint Reserve Base; the Eastside sector, which includes CentrePort and several new retail establishments; and the Northside sector, where the Stockyards have been redeveloped into an entertainment district. Only the Far West sector has performed poorly in job growth, as there has been primarily residential development west of Loop 820.

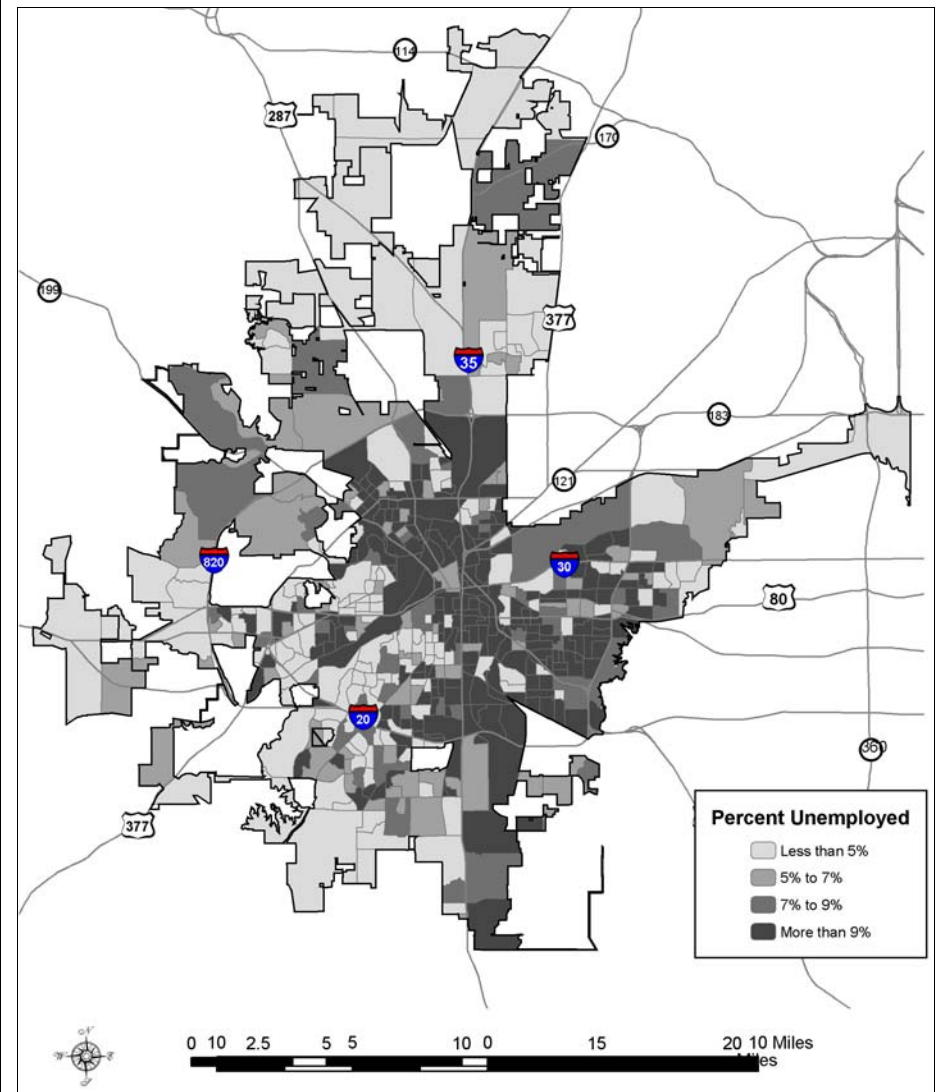
Unemployment by Sector

Fort Worth's 2004 unemployment rate of 7.3 percent exceeded the national unemployment rate of 5.5 percent. Fort Worth's unemployment rate increase represents a downturn in the Fort Worth economy and is not expected to be long term, however, many parts of the City of Fort Worth have experienced long term high unemployment rates. Estimates of the civilian labor force and unemployed persons from the Texas Workforce Commission by census tract reveal that the Northside, Southeast, and Southside had unemployment rates above eight percent in year 2003. In light of the slowing economy, the unemployment rates in these sectors are likely to continue to be high at least in the near term.

Median Household Income by Sector

According to the 2000 U.S. Census, the Downtown sector had the lowest median household income of \$21,111 in 1999. Nevertheless, in the last 20 years, and more rapidly since 2000 Downtown has seen increased residential development of upscale

Unemployment Rate by Census Tract, 2004



Unemployment is highest in census tracts located in the Northside, Southeast, and Southside sectors of Fort Worth. (Source: Texas Workforce Commission, 2004.)

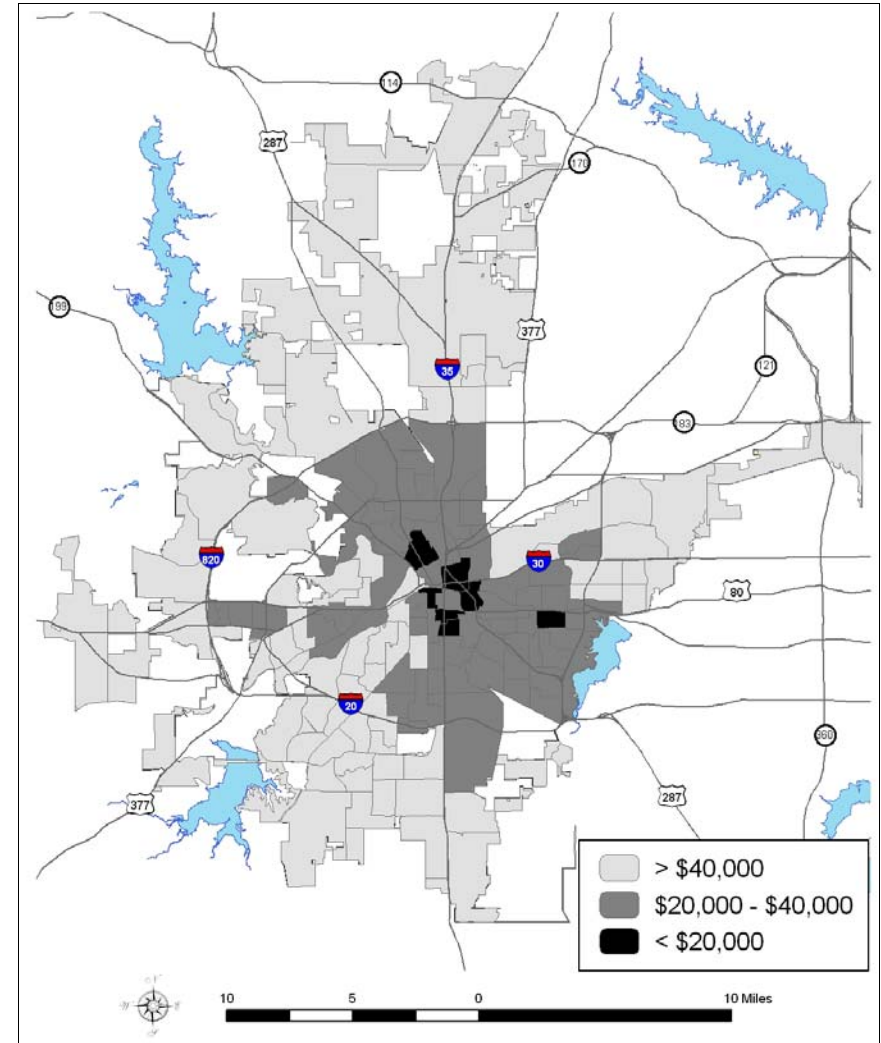
housing. The Northeast, Northside, Southeast, Southside, and Sycamore sectors all had median incomes below the citywide median of \$37,074. The Far Southwest sector had the highest median income of \$65,591. The Far Northwest sector also had a relatively high median income of \$55,625. The Wedgwood and TCU/ Westcliff sectors had the highest median incomes of all central city sectors, both more than \$55,000 per year.

Challenges and Opportunities

The changing economy provides Fort Worth with several challenges and many opportunities. The current national, state, and local economic slowdown is likely to continue for the near-term. However, Fort Worth is expected to weather the economic slowdown due to several factors, which include its close proximity to Alliance and D/FW airports, and the NAFTA Interstate 35 corridor. In addition, the community's pro-business stance has helped diversify the Fort Worth economy. These factors provide Fort Worth with a firm foundation for growth in future years.

The policies and programs of the City must be continuously examined to ensure that they help mitigate the impacts that arise from a slowing economy, while promoting Fort Worth's economic strengths.

Median Household Income by Census Tract, 2000



Incomes are highest in the Far North, Far Northwest, Far Southwest, TCU/ Westcliff, and Wedgwood sectors. (Source: U.S. Census Bureau, 2000.)

